# Always on the Job

WCB
Workers Compensation Board of Manitoba

2008 Annual Report

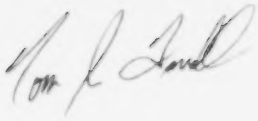
# Letter to the Minister

The Honourable Nancy Allan
Minister Responsible for *The Workers Compensation Act*
Room 317, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

We are pleased to present our 2008 Annual Report in accordance with the provisions of *The Workers Compensation Act*. This report covers the 12-month period from January 1, 2008 to December 31, 2008. It includes the statements of accounts required to be kept under the Act.

Respectfully submitted,



Tom J. Farrell
Chairperson

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To learn about the WCB's future plans, please refer to the 2009-2013 Five Year Plan at www.wcb.mb.ca.

# About the WCB

The Workers Compensation Board of Manitoba (WCB) is an injury and disability insurance system for workers and employers, paid for by employers.

### Staff

The WCB workforce is made up of approximately 500 people, all dedicated to providing excellent service to Manitoba workers and employers. The organization's people represent a diverse cross-section of Manitoba's cultural landscape. To help staff develop their skills and abilities, the WCB offers a wide range of professional development opportunities.

### Services and Benefits

The WCB is here to help Manitoba workers and employers prevent workplace illnesses and injuries from occurring. To achieve this goal, the organization has partnered with the Government of Manitoba's Workplace Safety and Health Division to strengthen the province's safety culture.

If people are hurt or become ill as a result of their work, the WCB is here to help, offering a wide range of benefits to assist injured workers in returning to health and meaningful work as soon as safely possible. Some of the benefits offered include:

- replacement of lost income
- healthcare treatments and payment of medication costs
- employment retraining
- lump sum payments for permanent impairments and
- benefits to partners and children in the event of a workplace death.

The WCB is here to help Manitoba workers and employers.

### Community Support

Through the Community Initiatives and Research Program (CIRP), the WCB provides up to $1 million annually to fund projects that help keep Manitobans safe at work, or recover as quickly as possible if they are injured on the job. Through its support of research activities, the CIRP endeavours to achieve practical outcomes that have a positive impact on the WCB and the province's workers and employers.

The CIRP provides an important instrument for the WCB's community partners to help reduce the pain and suffering of Manitoba's injured workers and their families. To ensure the program continues to meet the needs of stakeholders, the WCB did a consultation about a modified grants program which will be implemented in 2009.

# Vision, Mission and Values

**SAFE Work - A Way of Life**

Working with its partners, the Workers Compensation Board of Manitoba (WCB) promotes safe and healthy workplaces, promotes recovery and return to work, provides compassionate and supportive compensation services for workers and employers and ensures responsible financial stewardship.

We are committed to being a safe workplace that:

- Operates with fairness, integrity and respect
- Provides services that are fast, easy, caring, right and clear
- Strives for excellence
- Manages our resources efficiently and effectively
- Operates in an open and transparent manner
- Is accountable to the public and our partners
- Develops our staff and provides a supportive, innovative and creative environment
- Meets the diverse needs of our clients in a comfortable and welcoming way
- Provides a respectful and diverse workplace reflective of Manitoba
- Works collaboratively with our partners
- Is a valued member of the community

# Message from the Chairperson

The Board of Directors establishes the WCB's strategic direction and approves the policies that guide our organization. The strength of our Board is based on the qualifications, engagement and commitment of its members. I would like to acknowledge and thank our dedicated Board members for their active participation in guiding the WCB to continually ensure that we meet the needs of workers and employers across the province.

As we look back on 2008, it was certainly a difficult financial year for people and businesses around the world, and the WCB was no exception. However, our organization weathered the financial conditions as a result of sound investment and funding policies. Moving forward, the WCB will continue to prudently manage its resources to maintain financial stability.

In 2008, the WCB continued to focus on workplace injury prevention. We made great strides in promoting the importance of prevention and return to work programs and will continue to address these critically important issues with the hope of truly advancing the culture of safety and health in Manitoba.

As well, this year, the Government of Manitoba announced it was extending coverage to add new workers and employers to the compensation system. Along with the Board, it is my privilege to ensure we are providing the services that Manitobans need.

The composition of WCB's Board of Directors is representative of our province's population and includes diverse and experienced representation from employers, workers and the community. On behalf of my colleagues, I thank WCB staff, management and executive for their hard work in 2008 in support of the Board's vision, as we all work diligently to meet the needs of workers and employers across Manitoba.

Tom J. Farrell
Chairperson

# Message from the President and CEO

2008 was a challenging year on the financial front for the WCB given the significant downturn in financial markets. However, the WCB entered the year in a very healthy financial position, with strong reserves and a conservatively managed and diversified investment portfolio. The WCB's investments performed well on a relative basis and the organization remains financially sound and fully funded.

The WCB continued to respond in a supportive manner to the diverse group of Manitoba workers and employers that the organization serves.

At the heart of the WCB's business is the goal of giving workers and employers the support they need to work safely and to return to health and work as soon as safely possible in the unfortunate event of a workplace injury. For this reason, throughout 2008 the WCB focused on promoting injury prevention. As well, our newly created SAFE Work Services team and the professionals in the rehabilitation and compensation services area worked hard to support employers in developing stronger return to work programs.

The prevention message continued to be a focus in 2008 and extended to a SAFE Work campaign that used television, radio, billboards and an Internet presence to promote workplace safety to new and young workers. Prevention efforts helped to decrease the 2008 time loss injury rate from 4.2 to 4.1 time loss injuries per 100 workers.

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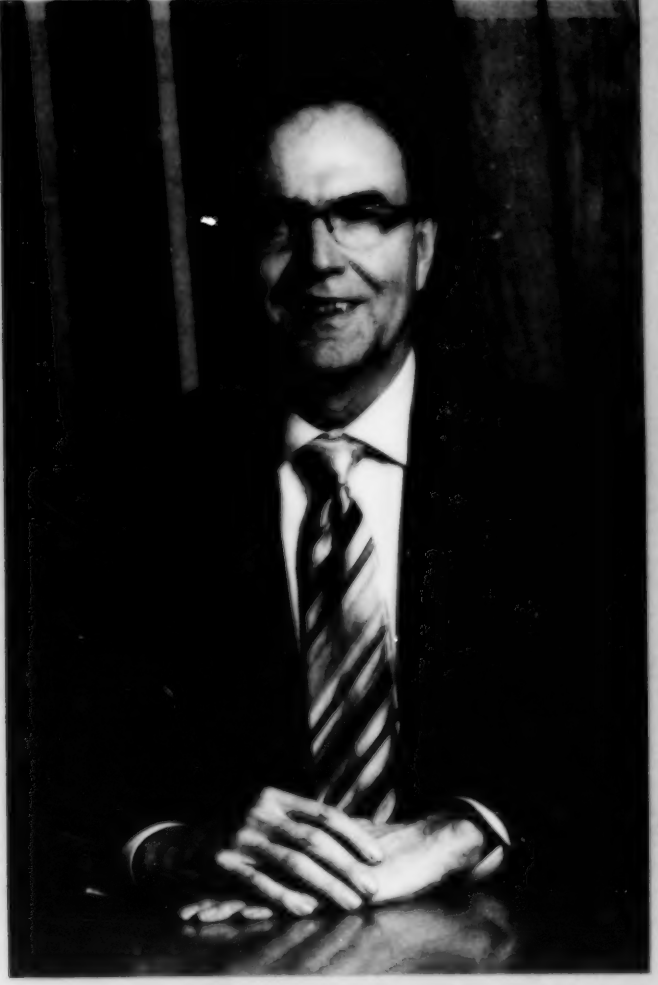

Part of fostering a culture of safety and health involves providing WCB coverage to more Manitobans. This year, after a thorough province-wide consultation, it was announced that coverage would be extended to more workers and employers in 2009. To help prepare and welcome new industries, the WCB held a series of information sessions throughout Manitoba and worked with the new industries to prepare for their coverage effective January 1, 2009.

Providing accurate and quality service is a top priority for the WCB. In 2008, we continued to provide superior service by improving processes – including final implementation of an innovative electronic claim file system which enables our staff to provide more efficient and higher quality customer service.

As I look back upon our activities in the past year, I am happy to see a continued commitment by all WCB staff to provide compassionate, timely and quality service to workers and employers across Manitoba.

Doug Sexsmith
President and CEO

# Board of Directors and Board Committees

By statute, the Board of Directors consists of 10 members appointed by the Government of Manitoba after consultation with employers, labour and the public. The tripartite representation includes a neutral Board Chairperson, three representatives of workers, three representatives of employers, and three representatives of the public interest. The Chief Executive Officer is a non-voting member of the Board of Directors.

As stewards of the compensation system, the Board of Directors plans for its future. The Board sets the WCB's strategic direction, makes policies about compensation, rehabilitation, assessment and investment of the funds within the investment portfolio, and monitors progress in these areas.

Board of Directors

From left to right: Wendy Sol, Robert Dewar, Jane MacKay, Carla Kematch, Ken Sutherland, Doug Sexsmith, Tom Farrell, Paul Challoner, Ron Hambley, Rob Labossiere, Ilana Warner.

## Board of Directors

| | |
|---|---|
| Tom Farrell | Chairperson |
| Robert Dewar | Worker Representative |
| Rob Labossiere | Worker Representative |
| Wendy Sol | Worker Representative |
| Paul Challoner | Employer Representative |
| Ron Hambley | Employer Representative |
| Jane MacKay | Employer Representative |
| Crystal Laborero | Public Interest Representative (to April 2008) |
| Carla Kematch | Public Interest Representative (from May 2008) |
| Ken Sutherland | Public Interest Representative |
| Ilana Warner | Public Interest Representative |
| Doug Sexsmith | Chief Executive Officer (non-voting member) |

The Board of Directors' committee structure is as follows:

### Policy, Planning and Governance Committee

The Policy, Planning and Governance Committee reviews and recommends changes to existing policy, initiates new policy through consultation with stakeholders and oversees strategic planning and governance.

| | |
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| Ilana Warner | Committee Chairperson and Public Interest Representative |
| Robert Dewar | Worker Representative |
| Ron Hambley | Employer Representative |
| Tom Farrell | Chairperson |
| Doug Sexsmith | Chief Executive Officer (non-voting member) |

Executive Team

From left to right: Alice Sarcan, Vice President, Prevention, Assessments and Customer Service; Warren Preiss, Director, Communications; Lori Ferguson Sim, General Counsel and Corporate Secretary; Doug Sexsmith, President and Chief Executive Officer; Stu Charles, Chief Information Officer; David Scott, Vice President, Rehabilitation and Compensation Services; Lorena Thiem, Chief Financial Officer.

Missing: Robert Campbell, Vice President, Human Resources, Information Technology and Administrative Services.

## Service and Human Resources Committee

The Service and Human Resources Committee assists the Board of Directors with monitoring service improvements and human resources activities, reviewing injury prevention initiatives and recommending approval of funding under the WCB's Community Initiatives and Research Program.

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## Investment and Finance Committee

The Investment and Finance Committee develops policy for the prudent investment of the WCB's investment portfolio, regularly reviews and advises the Board of Directors about the status of the WCB's investments and makes recommendations to the Board of Directors about the engagement of appropriate investment managers. The Committee is also responsible for reviewing the financial position of the WCB, including the annual budget, assessment rates and related financial policies.

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| Paul Challoner | Committee Chairperson and Employer Representative |
| Wendy Sol | Worker Representative |
| Ken Sutherland | Public Interest Representative |
| Bob Darling | External Voting Member |
| Tom Farrell | Chairperson |
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## Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities and reviews and advises the Board of Directors about the annual report and audited financial statements. The Committee also meets with external and internal auditors, approves internal audit activities and makes recommendations to the Board of Directors about the WCB's internal control procedures, standards of conduct and conflict of interest guidelines.

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Always on the Job

# Always on the Job

To achieve the vision: *SAFE Work – A Way of Life*, the WCB is always on the job. Whether the organization is promoting workplace health and safety procedures to workers and employers, assisting injured workers in getting back on the jobsite, providing innovative service to a variety of employers, or supporting a diverse workforce, the WCB is on the job. Always.

There are four themes that provide a framework for how the WCB conducts business and organizes activities to meet the needs of stakeholders:

**Prevention**
Preventing Injuries and Illnesses through Promotion, Protection and Education

**Recovery**
Returning Workers to Health and Work

**Service**
Continuously Improving Services to Workers and Employers

**Stewardship**
Effectively Managing Human, Technological and Financial Resources

To learn about how these themes truly help workers, employers, staff and the community, the WCB invites our valued stakeholders to read about some fascinating people who were helped as a result of the WCB being on the job, in one way or another, in 2008.

# Jason's Story

**Young Worker's Injury Experience Part of Award-Winning Youth Campaign**

Jason Croker learned about the importance of following correct workplace safety and health procedures the hard way.

"I worked in a fast food restaurant when I was 15," he recalls, "and I didn't receive any safety training. I was put in a dangerous situation where I mixed two toxic chemicals together, creating chlorine gas."

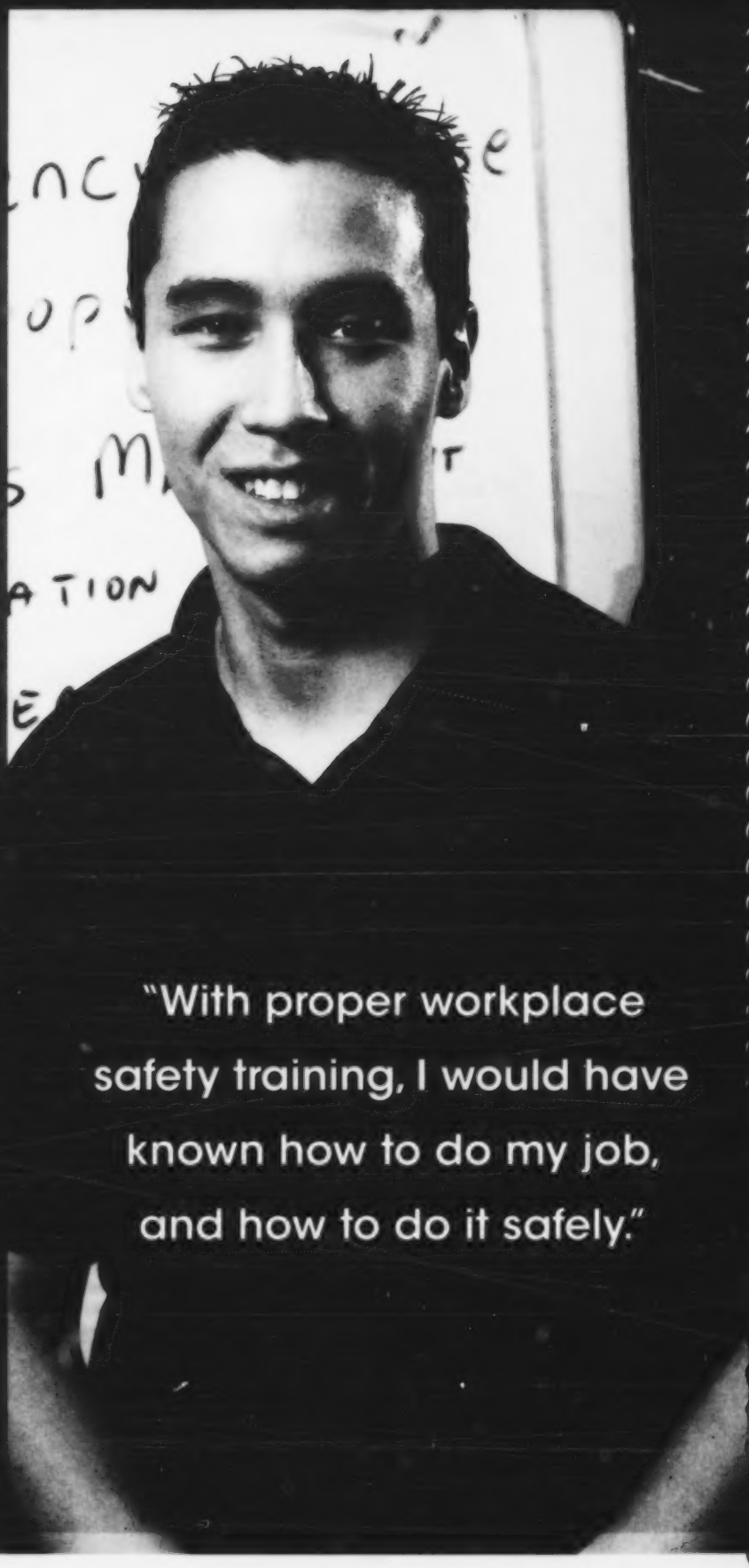
"My eyes were stinging and I had trouble breathing, but once I was evacuated from the building, I felt better," Jason remembers.

"With proper workplace safety training – Workplace Hazardous Materials Information System training – I would have known how to do my job, and how to do it safely."

Jason's workplace injury experience ended up in one of the award-winning youth ads that the WCB ran in the summer of 2008.

Jason would like to remind Manitobans that every worker has the right to know, the right to participate and the right to refuse unsafe work.

To read more about Jason, go to www.wcb.mb.ca.



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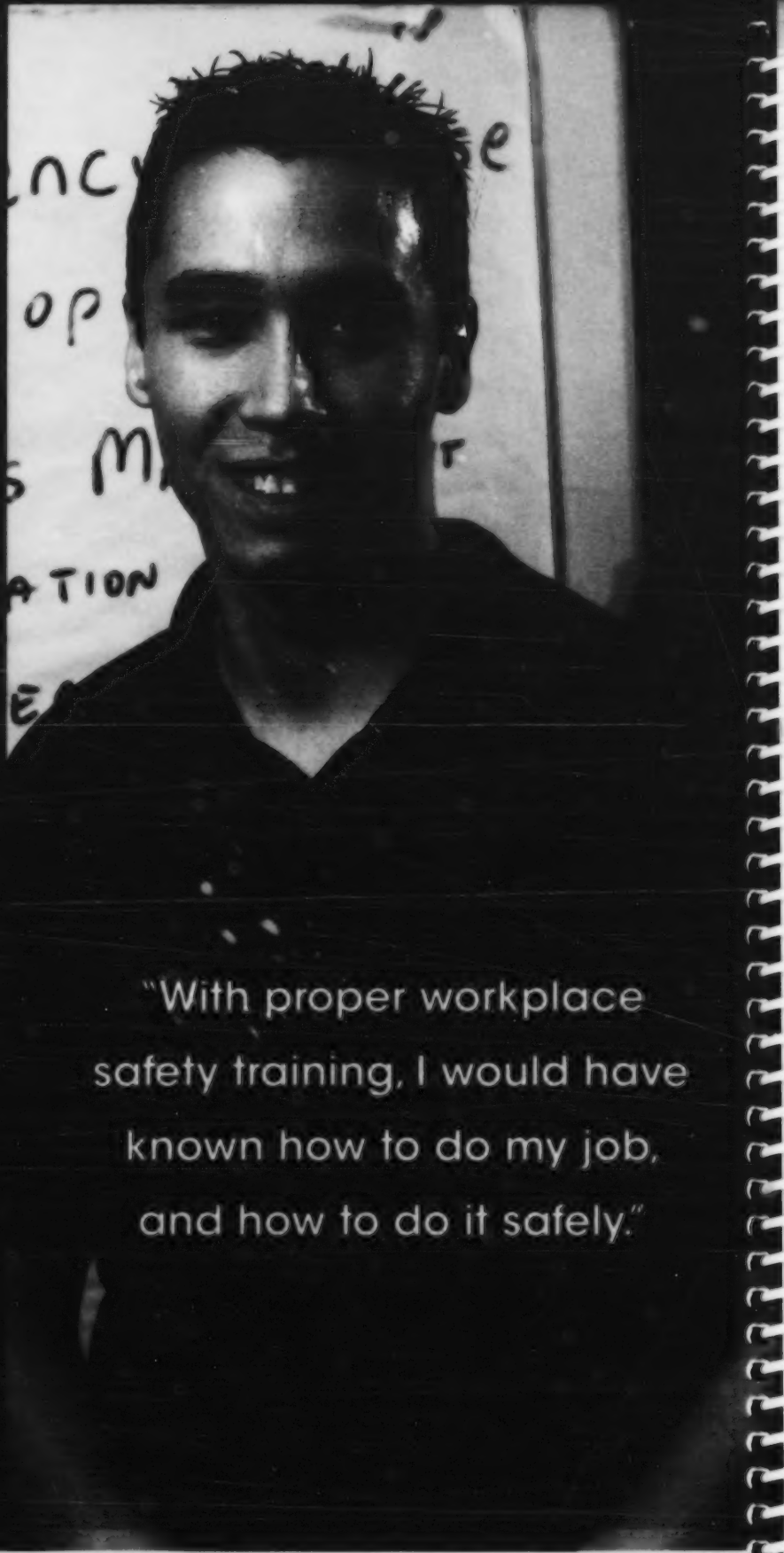


# Prevention

**Preventing workplace injuries and illnesses is one of the most important activities the WCB engages in to improve the lives of Manitoba workers, their families and employers. It is essential that the WCB promotes the importance of workplace safety to workers at the onset of employment, when young people begin to learn about what being on the job is all about.**

### SAFE Work Starts With SAFE Youth

The WCB's 2008 youth advertising campaign showcased three real-life workplace injury scenarios provided by Manitoba young people.

The unique advertising campaign, which focused on preventing workplace injuries and the importance of safety training, was aimed at Manitoba workers between the ages of 15 and 24. Young males in particular are at a higher risk for injury. The promotion showcased three workplace settings: fingers cut while cleaning a meat cutter, hair caught in a key cutting machine, and unknowingly mixing toxic chemicals.

The campaign was the most successful SAFE Work initiative to date. Its blend of traditional media like television, billboards and radio, combined with a groundbreaking online component at www.safemanitoba.com to attract youth, created a high level of awareness. The campaign garnered a coveted International Association of Business Communicators Canadian Silver Leaf Award. But most importantly, the campaign helped young workers focus on the importance of workplace safety and training.

### Creating a Culture of Safety and Health

Successfully creating a culture of safety and health throughout Manitoba means that workers and employers across the province should not think of injuries as an inevitable part of working life. The WCB, along with its partners, is leading the way to putting Manitoba on the forefront of safety and health innovation.

In 2008, the WCB continued injury prevention efforts by adopting an aggressive prevention strategy in conjunction with the Workplace Safety and Health Division (WSHD). The joint plan's vision is to create SAFE Work in every workplace. The WSHD and the WCB are preventing workplace injuries and illnesses through promotion, protection and education.

SAFE Work's success at raising awareness of workplace hazards has seen Manitoba's injury rate decrease 27 per cent since 2000. However, the injury rate remains a challenge, with 4.1 out of every 100 workers missing work in 2008 due to job-related injuries or illnesses.

More progress needs to be made on creating a province focused on workplace safety and health, as 61 per cent of Manitobans believe that workplace injuries are inevitable. The WCB will continue to work hard to change both the perception and the reality of on-the-job injuries.

### SAFE Work Services

A crucial component of the WCB's prevention strategy is to provide more support to employers and workers in their prevention endeavours. In 2008 the SAFE Work Services team was launched to assist Manitoba employers with injury prevention and return to work programs.

SAFE Work Services also reached out to Manitoba industry sectors and associations. As well, industry partnerships continued to flourish, with the SAFE on Site program being expanded (in conjunction with WCB partners in the Construction Safety Association of Manitoba and the Manitoba Heavy Construction Association Safety Program).

# Roxanne's Story

**The WCB Helped Cabinetmaker with an Occupational Disease Retrain to Work in Technical Drafting**

For many years, Roxanne Gerardy worked in cabinetmaking. She worked in the finishing room and on the shop floor, using saws and power tools to build office furnishings and cabinets. Roxanne also helped with assembly and installations – whatever was needed.

"I liked the hands-on nature of my work," recalls Roxanne. "At the end of the day, I could turn around and say, 'I made that'."

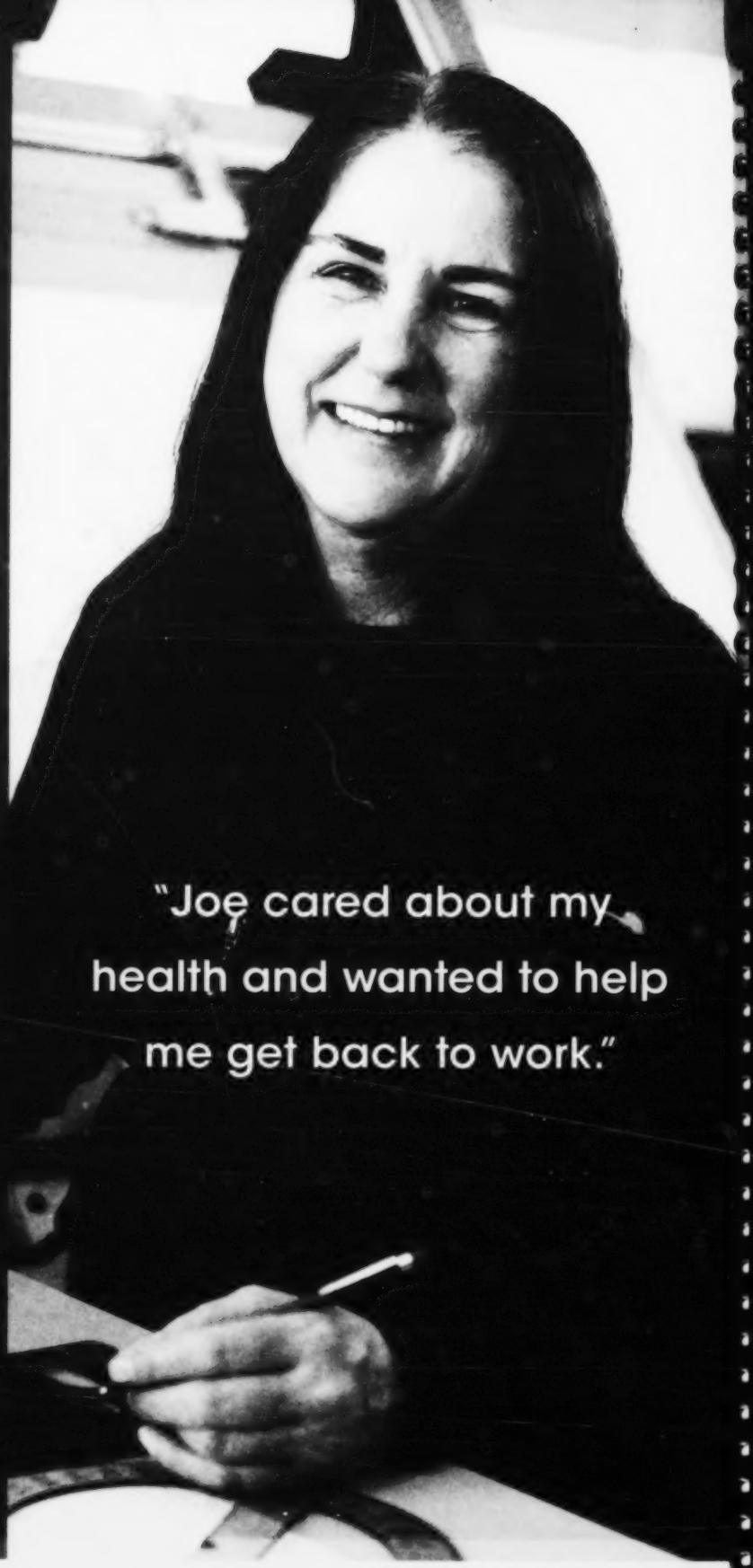
However, the enjoyment of her work came to a screeching halt a few years ago. "I worked for a while in the morning and all of a sudden, I couldn't breathe," says Roxanne.

Her family doctor diagnosed Roxanne with asthma and prescribed an inhaler. She rested and went back to work the next day. But when she got to the shop floor, the breathing problems persisted.

After going on sick leave, filing a WCB claim and having her breathing problem diagnosed, Roxanne learned she had developed an occupational disease. She could no longer work with isocyanates (chemicals used in the manufacturing process).

Because working in cabinetmaking was no longer an option, Roxanne met Joe Distasio, a WCB vocational rehabilitation consultant. "He was a pleasure to work with from day one," remembers Roxanne. "Joe cared about my health and wanted to help me get back to work."

To read more about Roxanne, go to www.wcb.mb.ca.



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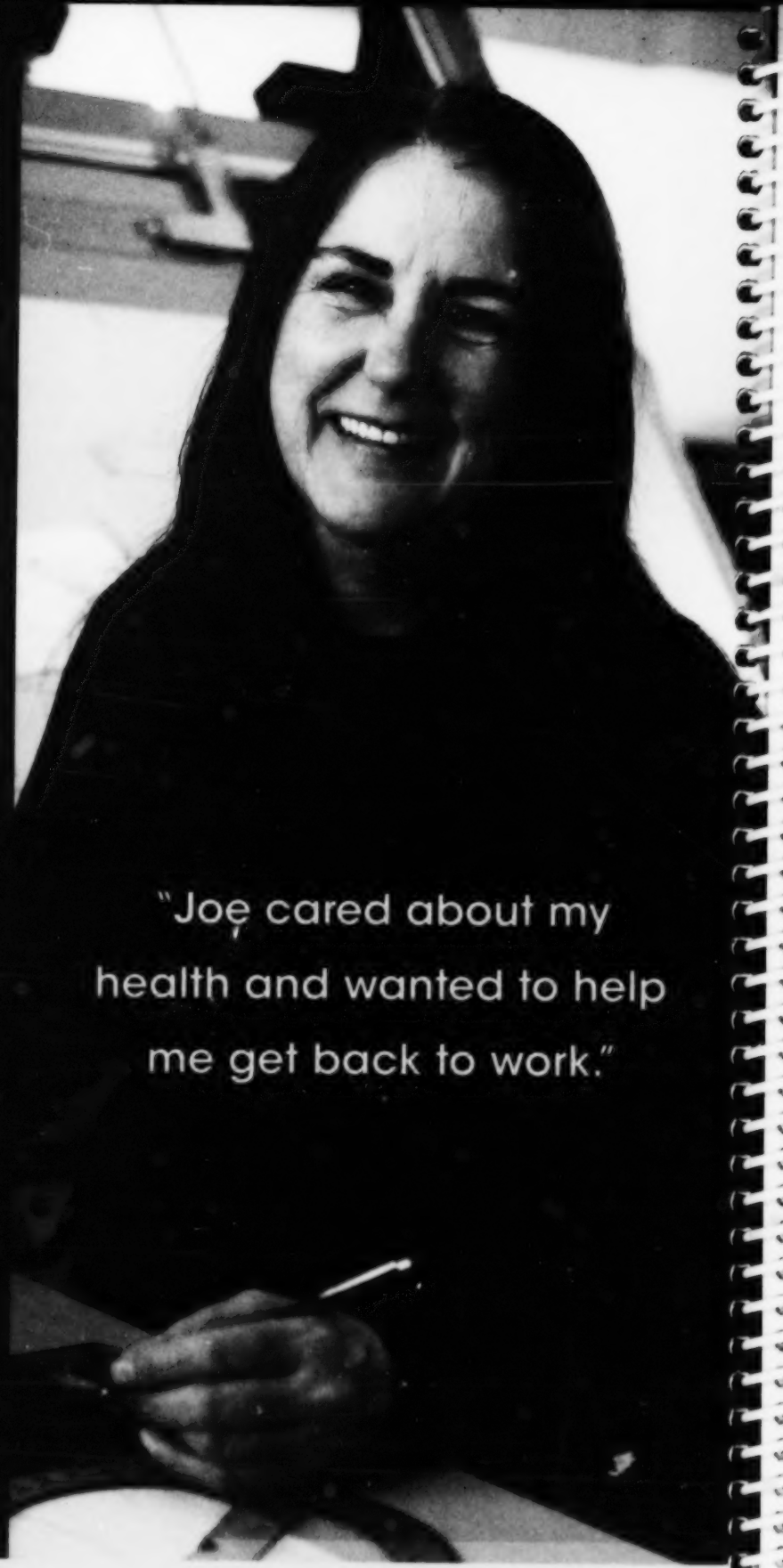

# Recovery

**The WCB is committed to getting workers across Manitoba back on the job. Since returning to work helps make recovery faster and more complete, the WCB's goal is to help injured workers get back to health and work as soon as safely possible.**

### Supporting Injured Workers

Helping injured workers return to work as soon as safely possible is at the heart of everything the WCB does. In 2008, the organization's dedicated staff in rehabilitation and compensation services in Winnipeg and Thompson continued to support thousands of injured workers through their recovery periods and helped them return to work following occurrences of workplace injuries and illnesses. Improved support was provided to injured workers in northern Manitoba through the outreach services of medical advisors, which allowed workers to obtain assistance with clarification of their diagnoses and medical management of their conditions.

The WCB's innovative claim management system and the implementation of remote access technology directly benefited injured workers by making the claims management process more timely and flexible, while voice recognition software for doctors decreased the time it takes to receive healthcare opinions.

The WCB also helped many Manitoba businesses adhere to best practices in disability management. As well, through the SAFE Work Services team, the WCB provided employers with the resources to develop quality prevention and return to work programs and launched training in WCB Basics.

### Addressing Workforce Trends

The WCB is keenly aware of the importance of addressing emerging workforce needs, including: medical issues specific to an aging workforce, finding more effective ways of addressing musculoskeletal injuries, and learning about the latest treatment and recovery plans for back injuries.

To promote consistency and fairness in the management of the WCB's cases, medical consultants and case managers underwent further education in 2008.

The WCB also uses innovative approaches in diagnosis and treatment. In 2008, physiotherapists and medical advisors worked with case managers in a pilot project to provide injured workers with appropriate intervention early in their treatment process, speeding up recovery time.

### Improving Healthcare Knowledge

In 2008, the WCB continued to focus on improving the quality, consistency and timeliness of internal healthcare opinions to better serve injured workers. The organization expanded the number of healthcare professionals on staff and is building relationships with Manitoba's healthcare community.

The pain management unit made great strides in reviewing internal processes, continued to learn about the needs of the workers it helps, and consulted with other jurisdictions to learn about treatment strategies.

Education remained a priority in 2008, as case management staff were offered a disability managment certificate program.

# MaryAnne's Story

**The WCB Helps Parkland Regional Health Authority Develop Innovative Disability Management Program**

When it comes to meeting the needs of Manitoba employers, the WCB places a high priority on working with employers around the province – including the Parkland Regional Health Authority (PRHA) – to help improve disability management and return to work programs.

The PRHA is one of the province's largest regional health authorities. In 2006, WCB case managers Chris Poot and Shea Boyce researched how they could help PRHA Human Resources Manager MaryAnne Harrison reduce the impact of workplace injuries in the region.

"From the beginning, the WCB played an integral part in the development of our disability management program," recalls MaryAnne. "Chris and Shea were very knowledgeable about what was or wasn't working in other sectors – including healthcare – and we incorporated the best strategies into our program."

She adds that the WCB is proactive in finding solutions to continually improve the PRHA's disability management program. "I like having a partner I can rely upon."

To read more about MaryAnne, go to www.wcb.mb.ca.

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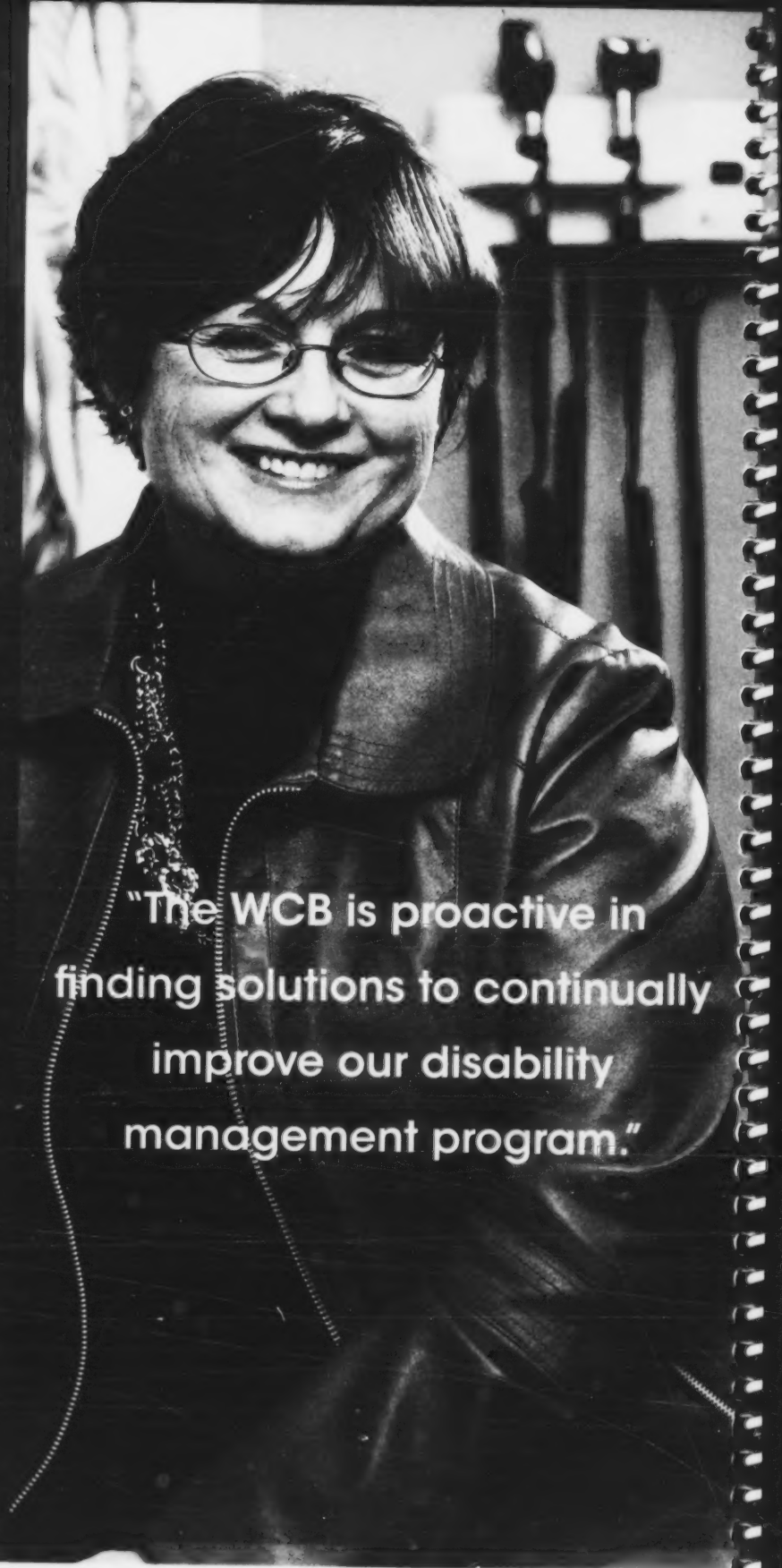


# MaryAnne's Story

**The WCB Helps Parkland Regional Health Authority Develop Innovative Disability Management Program**

When it comes to meeting the needs of Manitoba employers, the WCB places a high priority on working with employers around the province – including the Parkland Regional Health Authority (PRHA) – to help improve disability management and return to work programs.

The PRHA is one of the province's largest regional health authorities. In 2006, WCB case managers Chris Poot and Shea Boyce researched how they could help PRHA Human Resources Manager MaryAnne Harrison reduce the impact of workplace injuries in the region.

"From the beginning, the WCB played an integral part in the development of our disability management program," recalls MaryAnne. "Chris and Shea were very knowledgeable about what was or wasn't working in other sectors – including healthcare – and we incorporated the best strategies into our program."

She adds that the WCB is proactive in finding solutions to continually improve the PRHA's disability management program. "I like having a partner I can rely upon."

To read more about MaryAnne, go to www.wcb.mb.ca.

"The WCB is proactive in finding solutions to continually improve our disability management program."

# Service

**Service is a critical part of the work done at the WCB, both internally and externally. All of the organization's efforts, in some way, contribute to the improvement of services provided to workers and employers throughout Manitoba. The WCB is always on the job for you.**

### Extension of Coverage

In 2008, the Government of Manitoba announced it would extend coverage to add new workers and employers to the workers compensation system. This announcement followed a broad consultation with Manitobans, conducted by the WCB.

Through the consultation process, the WCB listened carefully to what stakeholders had to say and reported findings to the provincial government. After the government's extension of coverage announcement, the WCB readied itself to welcome employers and workers to the system and ensure that all customers, new and existing, would receive the same high level of service.

The WCB reached out to new employers and industries through advertising, direct contact with affected employers, public information sessions throughout the province, working with associations and organizations, and offering information to service providers. Throughout the process, the WCB's Assessment Services Department worked with employers new to the system, providing information in a timely and responsive manner.

An increased number of covered employers and workers means that more people will be working toward reducing workplace injuries, which is good news for everyone. The WCB looks forward to welcoming more new workers and employers to the fold in 2009.

### Manitoba Business Links

The WCB became a participant of Manitoba Business Links (MBL) in 2008. MBL is a provincial government initiative that paves the way for integrated business registration using the federal business number as a common identifier. The WCB now receives notices of new business registrations and changes in business information as they happen. Being a part of MBL will help employers by reducing duplication when dealing with member organizations.

### Providing Service Excellence

The WCB works hard every day to improve service to workers and employers and is happy to report that service continued to strengthen in 2008. Timeliness is an important factor in providing excellent service. The Review Office responded to over 91 per cent of requests within 60 days, with the average review being completed in only 25 days.

To enable WCB employees to continue to respond to worker and employer requests as quickly as possible, additional technical training support was provided. Ongoing technological advancements like remote access technology provided a greater capacity to service all stakeholders.

Quality is of paramount importance at the WCB. In 2008, the organization emphasized training and quality assurance. Claims files are reviewed on an ongoing basis to ensure that claim adjudication and case management processes meet quality standards.

Measuring customer satisfaction continued to be a major factor in constantly improving service to stakeholders. In 2008, the WCB received 7.8 out of 10 from injured workers in overall satisfaction – and scored 8 out of 10 in two quarterly surveys – while employers gave a rating of 7.1 out of 10.

As well, the WCB believes that quality internal customer service is critical to nurturing a strong service culture. So in 2008, the WCB launched the *Good to Great* leadership program to enable leaders to share their customer service expertise.

# Michael's Story

**The WCB's Support of United Way Helps Young Aboriginal Leader Pursue his Dreams**

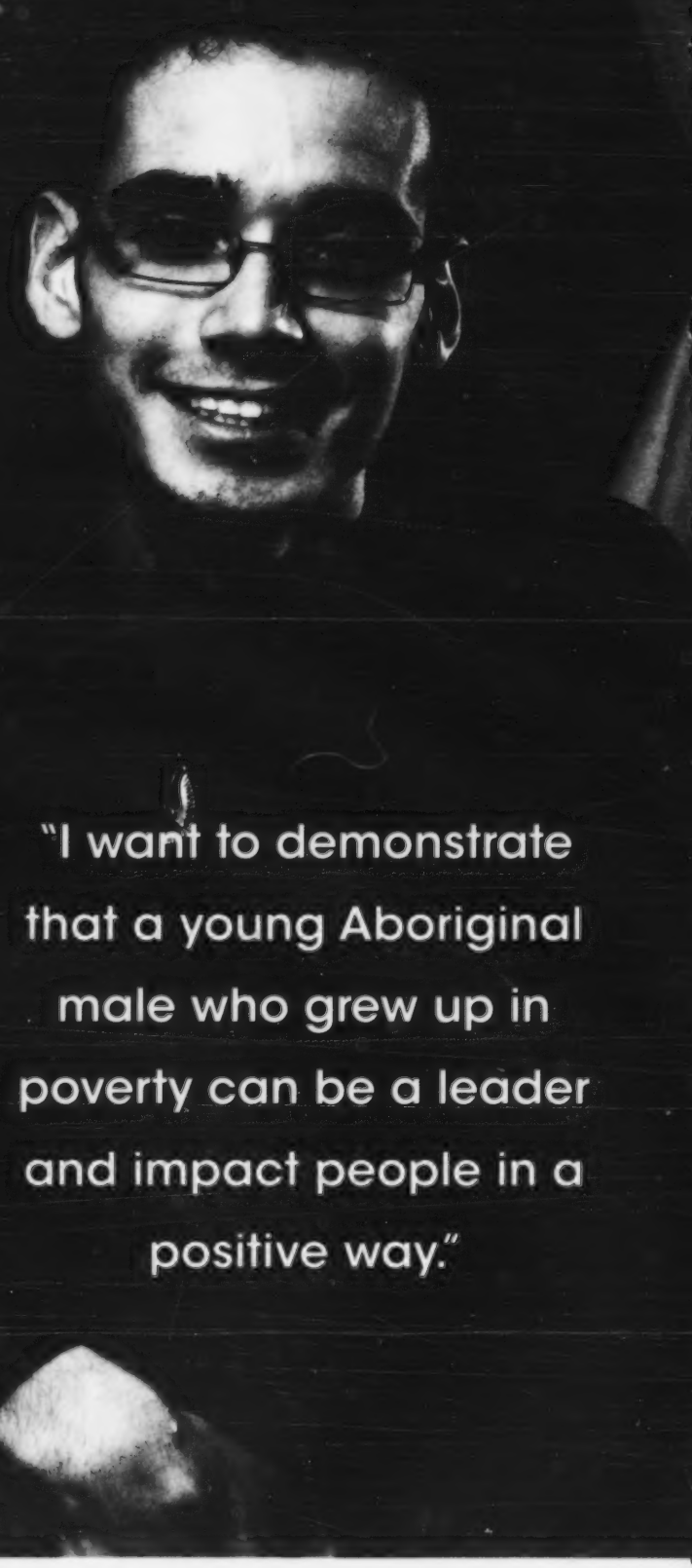
Aboriginal youth leader Michael Champagne is thankful for the WCB's ongoing support of United Way. Michael is a Senior Community Youth Worker at Ndinawe Youth Resource Centre, a United Way partner agency.

Michael, 21, learned about Ndinawe in 2005, when he was struggling to make ends meet while working and pursuing university studies. His former high school principal learned about Michael's challenges with juggling work and school and opened a new door for him.

"He introduced me to the Executive Director of Ndinawe and she offered me a job," says Michael. "I worked as a homework club co-ordinator and helped out at the drop-in centre. It was the biggest break that ever happened to me," recalls Michael. "And the work was relevant to my future."

"I grew up in Winnipeg's North End and want to demonstrate that a young Aboriginal male who grew up in poverty can be a leader and impact people in a positive way," says Michael.

To read more about Michael, go to www.wcb.mb.ca.



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# Stewardship

**The WCB is always on the job for the public through prudent stewardship of its finances, technology, policies and people. As well, the organization is aware of its obligation to the larger Manitoba community, partnering every year with a variety of organizations and safety initiatives to make a positive contribution to the province.**

## Maintaining Financial Strength

In spite of the decline in 2008 financial markets, the WCB finished the year in a stable financial position. Two strategies ensured the organization weathered the turbulent financial conditions of 2008: the use of a diversified investment policy and a funding policy that helped accumulate adequate reserves.

In 2008, equity markets around the world declined significantly. The WCB's rate of return on its investment portfolio was -11.6 per cent, evidence of a sound investment strategy.

The 2008 investment results were the main cause of a $196 million reduction to the WCB's reserves. However, the organization started the year in a healthy financial position, with strong reserves. At the end of 2007, the WCB had reached the reserve target dictated by its funding policy. This amount is based on a calculation aimed at maintaining sufficient reserves for insurance organizations such as the WCB. In spite of 2008's almost unprecedented decline in the markets, the organization ended the year in fully funded status (the WCB's assets were greater than its liabilities).

## Community Leadership

The WCB is committed to being a valued member of the community by focusing on partnerships with community organizations.

In 2008, the WCB welcomed the Information and Communication and Technologies Association of Manitoba (ICTAM) as a new community partner. Working with ICTAM, the WCB placed diversity candidates into information technology positions.

The WCB acknowledges Manitoba's heritage and is a proud sponsor of the Manitoba Aboriginal Youth Achievement Awards in addition to being a long term supporter of the Aboriginal Business Education Program at the University of Manitoba. As well, the WCB has a partnership agreement with Connect Employment Services, an organization that provides job opportunities for persons with intellectual disabilities.

In 2008, the WCB continued to build its future workforce by providing internship opportunities. The organization's relationship with the Downtown Winnipeg BIZ highlighted the WCB as a downtown employer of choice.

When asked, over 66 per cent of Manitobans believed that the WCB made a positive contribution to the province in 2008.

## Strength Through People

To advance the WCB's goal of building organizational strength through people, a human resources strategic plan focusing on employee engagement was rolled out. The WCB also conducted a workforce analysis to ensure the organization is able to meet staffing and stakeholder needs in the coming years.

The organization spent much of 2008 recruiting in all operational areas. The WCB concentrated on training efforts through workshops like team building, understanding employment equity and cultural diversity.

## Achieving Operational Excellence

In 2008, the WCB continued to use business process renewal and project management methodologies to provide the most efficient service possible.

The WCB uses technological innovations to modernize processes, making the organization able to service its stakeholders in an accurate and timely manner. The WCB finalized its electronic claim file system and improved business processes. Remote access technology enabled employees to access information systems from throughout the province, which allowed the organization to provide real time service to workers and employers. In addition, significant progress was made toward developing enhancements to the way the Assessment Services Department serves employers.

## Whistleblower Legislation

In compliance with *The Public Interest Disclosure (Whistleblower Protection) Act*, the WCB has whistleblower disclosure procedures in place. There were no disclosures reported in 2008.

Always on the Job

# Financial Report

# Management's Responsibility for Financial Information

The consolidated financial statements of the WCB were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

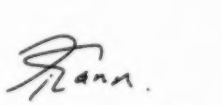
The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on March 16, 2009.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors and actuaries have unlimited access to the Audit Committee. The Audit Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The Chief Actuary of the WCB completed an independent actuarial valuation of the benefit liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practices. The firm of Eckler Ltd. has been appointed as the peer reviewer to the WCB. The Chief Actuary's opinion on the valuation of the benefit liabilities is provided on page 29. Eckler Ltd.'s opinion is provided on page 30.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditors' Report, on page 31, outlines the scope of this independent audit and includes their opinion expressed on the 2008 consolidated financial statements.

Doug Sexsmith
President and CEO



Lorena B. Trann, CMA, FCMA
Chief Financial Officer

March 16, 2009

# 2008 Management Discussion and Analysis

As an integral part of the annual report, the management discussion and analysis provides further insights into the operations and financial position of the WCB and should be read in conjunction with the consolidated financial statements and supporting notes.

2008 was memorable from a financial perspective because of turbulent financial markets. There were substantial declines in economic activity and financial markets around the world. The WCB, as an institutional investor with a sizable investment portfolio, was impacted by the effects of the 2008 market downturn.

In contrast to the market challenges, the WCB's assessable payrolls increased and premium revenue was strong at $248 million ($24 million greater than 2007 and $33 million over budget). Investment income was $45 million ($53 million less than 2007 and $8 million less than budget). The cost of claims for 2008 was $263 million ($48 million greater than 2007 and $56 million over budget). Costs were impacted by claim duration and average cost of claim increases. The lower than expected investment income, combined with the net effect of premium revenue and claim costs incurred, produced an operating loss of $30 million (budgeted at a surplus of $1 million).

Negative investment returns on the WCB's investment portfolio created the other comprehensive loss of $166 million (budgeted at an income of $7 million). The resulting total comprehensive loss for 2008 was $196 million (budgeted at an income of $8 million).

In total, the WCB's reserves declined from $258 million to $62 million. The WCB is fully funded with a funding ratio of 106.6 per cent.

## Revenue

The WCB's revenue is derived from two sources: premium revenue and investment income. 2008 revenue totalled $293 million, a nine per cent decrease compared to 2007. This decrease in overall revenue was the result of investment income performance declining. However, premium revenues were strong, increasing 11 per cent over 2007. The chart below shows the two sources of revenue.

Premium revenue is the largest revenue stream for the WCB. Premium revenue was $248 million in 2008 versus the budget of $215 million. Premiums are derived from Class E and self-insured employers:

- Class E premium revenue was $204 million in 2008 ($194 million in 2007) versus the budget of $190 million. The average assessment rate and employer payroll levels affect this revenue. In 2008, the final average assessment rate per $100 of assessable payroll was $1.62, $0.02 over the budgeted average assessment rate, while employer payrolls grew 9.7 per cent versus the budget of 4.0 per cent. These variances were the result of two factors: economic growth and employment being shifted to industries with higher assessment rates.
- Self-insured assessments were $44 million in 2008 ($30 million in 2007) versus the budget of $25 million. Self-insured assessments are based on the claim costs incurred and an allocation of overhead costs that occur in the year. The revenue was $19 million greater than budget largely due to higher claims volume and costs per claim.

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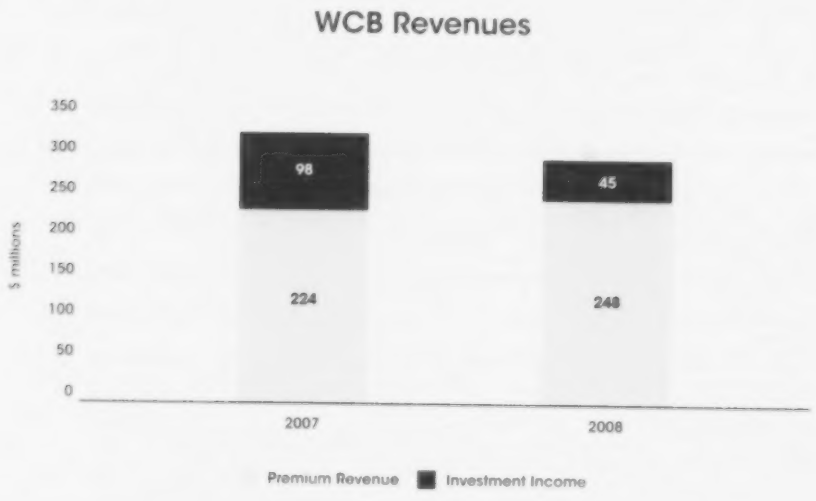


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Investment income, derived from the WCB's investment portfolio, was $45 million in 2008 compared to $98 million in 2007. (Investment income was budgeted at $53 million for 2008.) The income for the two years can be broken down as follows:

- interest and dividend income of $31 million in 2008 ($31 million in 2007)
- realized gains and real estate fair value changes of $14 million in 2008 ($67 million in 2007).

The investment portfolio is comprised of a variety of asset classes as set by policy. At December 31, 2008, the portfolio had a market value of $885 million (a decrease of $134 million from the balance of just over $1.0 billion at the end of 2007) and an asset mix of 53 per cent equities and 41 per cent fixed income (asset mix of 64 per cent equities and 36 per cent fixed income in 2007).

The WCB has engaged a number of professional investment managers. Each of these managers has a mandate as well as a benchmark rate of return to achieve. The gross returns before expenses by manager mandate and a comparison of this result to the benchmark returns are displayed in the following chart:

The investment portfolio's gross rate of return was -11.6 per cent in 2008 (benchmark -12.2 per cent) and 6.5 per cent in 2007 (benchmark 3.2 per cent).

Given the significant decline in equity markets in 2008, the WCB's investment portfolio performed relatively well. The return illustrates the defensive nature of the WCB's balanced portfolio. Further, the WCB's investment portfolio return exceeded the return of the benchmark used to measure the portfolio's performance.

### Claim Costs Incurred

Claim costs incurred are an estimate of the full costs for compensable injuries that occurred in 2008, together with adjustments to prior years' estimates. The estimates take into account claims that are in pay, reported but as yet unpaid claims, and unreported claims.

Claim costs incurred increased $48 million (or 22 per cent) to $263 million in 2008.

The short term disability portion of claim costs incurred was $91 million ($78 million in 2007). The actuarial model was adjusted to reflect a trend toward increased compensation claims and higher average cost of compensation claims. This trend is driven by duration, inflation and a change in the mix of the claims by industry.

The healthcare benefits portion of claim costs incurred was $92 million ($57 million in 2007). The actuarial model was adjusted to reflect upward spending trends in healthcare. This trend is driven by inflation and volume.

| (in millions of dollars) | Short Term Disability | Long Term Disability | Survivor Benefits | Healthcare Benefits | Rehabilitation Services | Total |
|---|---|---|---|---|---|---|
| 2008 | 91.1 | 59.1 | 13.8 | 91.8 | 7.3 | 263.1 |
| 2007 | 78.4 | 57.9 | 17.1 | 56.6 | 5.5 | 215.5 |
| Increase (decrease) | 12.7 | 1.2 | (3.3) | 35.2 | 1.8 | 47.6 |

### Benefit Liabilities

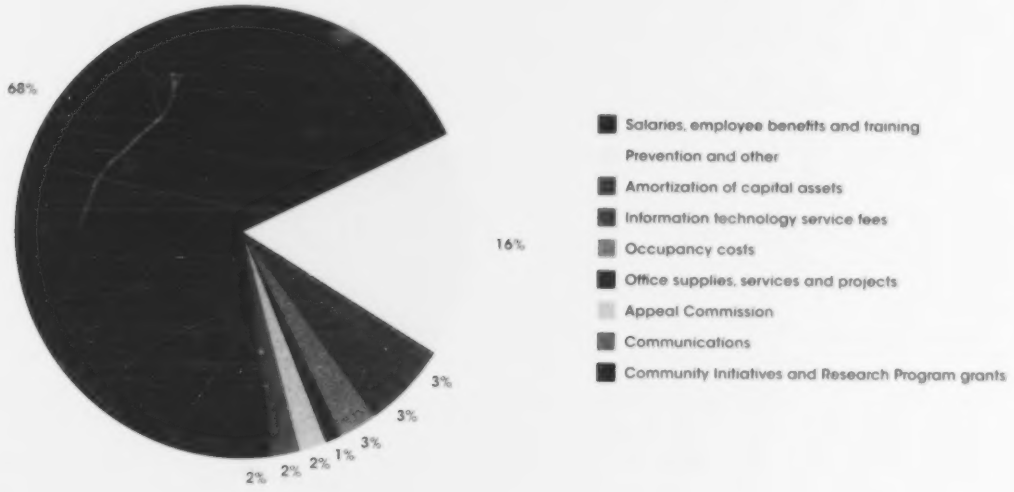
The benefit liabilities increase for 2008 was $72 million (nine per cent). This increase was driven by the same factors discussed in the previous section titled *Claim Costs Incurred*.

| (in millions of dollars) | Short Term Disability | Long Term Disability | Survivor Benefits | Healthcare Benefits | Rehabilitation Services | Total |
|---|---|---|---|---|---|---|
| 2008 | 150.9 | 387.2 | 153.0 | 183.9 | 28.5 | 903.5 |
| 2007 | 130.0 | 375.7 | 155.5 | 146.6 | 23.9 | 831.7 |
| Increase (decrease) | 20.9 | 11.5 | (2.5) | 37.3 | 4.6 | 71.8 |

## Operating Expenses

Operating expenses in 2008 were $60 million ($56 million in 2007). The operating expenses increase was driven by employee salary costs and benefits and funding for the Workplace Safety and Health Division.

### Components of 2008 Operating Expenses




## Operating Loss

The operating loss of $30 million decreased the accident fund reserve to $120 million.

## Other Comprehensive Loss and Total Comprehensive Loss

The other comprehensive loss for 2008 was $166 million, resulting in an accumulated other comprehensive loss as at December 31, 2008 of $58 million ($108 million in accumulated other comprehensive income in 2007).

The other comprehensive loss in 2008 resulted from the -11.6 per cent return on the WCB's investment portfolio.

The total comprehensive loss for the year, driven by the investment portfolio decline, was $196 million. The WCB's budget was $8 million of other comprehensive income.

### Balance Sheet

The 2008 funding ratio (ratio of total assets to total liabilities) was 106.6 per cent (130.0 per cent in 2007). This ratio is one measure of the financial strength of the WCB, as any amount over 100 per cent indicates the WCB is fully funded.

Total reserves (accident fund reserve and accumulated other comprehensive loss) were $62 million ($258 million in 2007). These reserves were below the target balance set out in the WCB's Funding Policy (reserves as at December 31, 2007 were in line with the target balance). The 2009 - 2013 Five Year Plan financials indicate reserve growth that will enable the WCB to move closer to the target balance.

### International Financial Reporting Standards

The Canadian Accounting Standards Board announced in February 2008 that full implementation of International Financial Reporting Standards (IFRS) will be required for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. This will require the collection of comparative information for the year beginning January 1, 2010.

Progress has been made in the following key areas:

#### Implementation Project

A project team is in place to facilitate the transition to IFRS compliant financial statements. IFRS expertise is being developed by training key project personnel.

#### Financial Statement Preparation

The WCB is analyzing and evaluating the impact of adopting these accounting and reporting standards. A high-level identification of differences in accounting policy choices has been completed and shows that in some cases, these differences may be significant. Areas impacted include: capital assets, financial instruments, investment properties, employee benefits and benefit liabilities. However, quantification of the impacts is not determined at this time. Further study will continue in 2009, to facilitate the selection of the most appropriate accounting policy from the IFRS options. A change in accounting policy normally requires retrospective application, which can be an onerous and costly exercise. In the case of the first time adoption of IFRS, however, entities are allowed to apply optional elections that provide relief from this retrospective application. The WCB is carefully evaluating the specific elections that apply to ensure that the most appropriate option is selected.

Further complicating the issue is the continuing work of the International Accounting Standards Board. Two important projects, Insurance Contracts and Post-Employment Benefits, are at the discussion paper stage and are expected to be followed by an exposure draft. The projects are expected to be completed in 2011, with a likely mandatory effective date for 2013. Therefore, the WCB must carefully monitor these projects and discussions to make appropriate decisions with respect to the implementation of IFRS.

# Actuarial Opinion

**with respect to Future Benefit Liabilities of the Workers Compensation Board of Manitoba**
based on an actuarial valuation as at December 31, 2008

I have completed an actuarial valuation as at December 31, 2008 of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The purpose of this valuation was to estimate the liabilities of the WCB in respect of injuries that occurred on or before the valuation date for inclusion in the 2008 financial statements.

My estimate of the liabilities as at December 31, 2008 is $903.5 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims.

I reviewed the data and have performed tests to confirm their reasonableness and consistency with that used in the prior valuation. In my opinion the data are sufficient and reliable for the purpose of the valuation.

The assumptions used are consistent with those of the prior valuation. The discount rates used are 6.0 per cent for non-indexed benefits, 3.0 per cent for inflation linked benefits, and 2.0 per cent for wage linked benefits and are unchanged from the previous valuation. The discount rate for healthcare benefits is -0.5 per cent. Updated data analysis resulted in revised claim development assumptions for healthcare and wage loss benefits. The mortality assumption for disability and survivor benefits is the Manitoba Life Table 2000-02 which is the same as was used in the prior valuation. The assumptions and methods used in the valuation, as described in my report, are based on the current practices and administrative procedures of the WCB and on historical claims experience. In my opinion, the assumptions used are, in aggregate, appropriate for the purpose of the valuation and the methods employed in the valuation are appropriate for the purpose of the valuation.

The report on which this opinion is based has been prepared, and my opinion given, in accordance with accepted actuarial practice.

Respectfully submitted,

Michael Williams

Michael Williams, F.S.A., F.C.I.A.
Chief Actuary, WCB

March 2, 2009

# Actuarial Review

**with respect to the Valuation of the Future Benefit Liabilities of the Workers Compensation Board of Manitoba**
as at December 31, 2008

I have reviewed the actuarial valuation as at December 31, 2008 of the benefit liabilities for insured and self-insured employers under *The Workers Compensation Act* of Manitoba as amended to the valuation date. The valuation was performed by the Chief Actuary of the WCB. The purpose of the valuation was to estimate the liabilities of the WCB in respect of injuries that occurred on or before the valuation date for inclusion in the 2008 financial statements.

I have performed such tests of the data used, the assumptions made and the calculation models underlying the valuation as I considered necessary.

The valuation determined benefit liabilities as at December 31, 2008 to be $903.5 million. This includes provisions for claims arising from specific long latent occupational diseases and for the future cost of administering claims. In my opinion, this amount constitutes an appropriate provision for benefit liabilities as at December 31, 2008.

My review has been conducted, and my opinion given, in accordance with accepted actuarial practice.

Respectfully submitted,
**Eckler Ltd.**

A. Douglas Poapst, F.S.A., F.C.I.A.

March 2, 2009

Eckler Ltd.

# Auditor's Report

**To the Workers Compensation Board of Manitoba**

We have audited the consolidated balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2008 and the consolidated statements of operations and accident fund reserve, comprehensive income, changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Winnipeg, Manitoba

March 5, 2009

Grant Thornton

# Consolidated Balance Sheet

December 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Assets** | | |
| Cash | $ 1,103 | $ 2,881 |
| Receivables and other (Note 4) | 34,675 | 35,190 |
| Investment portfolio (Note 5) | 885,059 | 1,019,142 |
| Deferred assessments (Note 7) | 65,691 | 47,598 |
| Capital assets (Note 8) | 12,036 | 11,993 |
| | $ 998,564 | $ 1,116,804 |
| **Liabilities and Funded Position** | | |
| Payables and accrued liabilities (Note 9) | $ 33,492 | $ 27,223 |
| Benefit liabilities (Note 11) | 903,489 | 831,681 |
| Total liabilities | 936,981 | 858,904 |
| Accident fund reserve | 120,256 | 150,254 |
| Accumulated other comprehensive (loss) income | (58,673) | 107,646 |
| Funded position | 61,583 | 257,900 |
| | $ 998,564 | $ 1,116,804 |

Signed on behalf of the Board of Directors

Tom J. Farrell
Chairperson, Board of Directors

Ken Sutherland
Audit Committee of the Board of Directors

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statement of Operations and Accident Fund Reserve

Year Ended December 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Revenue** | | |
| Premium revenue (Note 13) | $ 247,887 | $ 223,973 |
| Investment income (Note 5) | 45,035 | 98,078 |
| Total revenue | 292,922 | 322,051 |
| **Expenses** | | |
| Claim costs incurred (Note 11) | 263,127 | 215,491 |
| Operating expenses (Note 14) | 59,793 | 55,981 |
| Total expenses | 322,920 | 271,472 |
| **Operating (loss) surplus** | **(29,998)** | **50,579** |
| Accident fund reserve at beginning of year | 150,254 | 99,675 |
| **Accident fund reserve at end of year** | $ 120,256 | $ 150,254 |

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Balance Sheet

December 31, 2008
(in thousands of dollars)

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| Operating expenses (Note 14) | 59,793 | 55,981 |
| Total expenses | 322,920 | 271,472 |
| **Operating (loss) surplus** | **(29,998)** | **50,579** |
| Accident fund reserve at beginning of year | 150,254 | 99,675 |
| **Accident fund reserve at end of year** | $ 120,256 | $ 150,254 |

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statement of Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Operating (loss) surplus** | $ (29,998) | $ 50,579 |
| **Other comprehensive (loss) income** | | |
| Unrealized (losses) gains on available-for-sale financial assets | (158,789) | 5,934 |
| Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5) | (7,530) | (45,309) |
| Other comprehensive loss | (166,319) | (39,375) |
| **Total comprehensive (loss) income** | $ (196,317) | $ 11,204 |

# Consolidated Statement of Changes in Accumulated Other Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Accumulated Other Comprehensive (Loss) Income** | | |
| Balance at beginning of year | $ 107,646 | $ 147,021 |
| Other comprehensive loss | (166,319) | (39,375) |
| Balance at end of year | $ (58,673) | $ 107,646 |

The accompanying notes are an integral part of the consolidated financial statements.

Always on the Job

# Consolidated Statement of Cash Flows

Year Ended December 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Operating cash flows** | | |
| Premiums from employers | $ 230,309 | $ 218,560 |
| Investment income | 47,270 | 50,647 |
| Claim payments (Note 11) | (191,319) | (172,842) |
| Purchases of administration goods and services | (59,162) | (56,556) |
| Net cash provided by operating activities | 27,098 | 39,809 |
| **Investing cash flows** | | |
| Purchases of investments, net of sales (Note 5) | (26,920) | (37,553) |
| Capital asset acquisitions, net of disposals | (1,956) | (2,487) |
| Net cash used by investing activities | (28,876) | (40,040) |
| Net decrease in cash | (1,778) | (231) |
| Cash at beginning of year | 2,881 | 3,112 |
| Cash at end of year | $ 1,103 | $ 2,881 |

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statement of Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Operating (loss) surplus** | $ (29,998) | $ 50,579 |
| **Other comprehensive (loss) income** | | |
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The accompanying notes are an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended December 31, 2008
($ amounts in thousands of dollars unless otherwise noted)

## 1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (WCB) was created in 1917 under the authority of *The Workers Compensation Act* of Manitoba. In accordance with the provisions of the Act, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with the Manitoba government's Workplace Safety and Health Division
- administering payments to injured workers and suppliers of services to injured workers
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- investing funds set aside for the future costs of claims as well as surplus funds.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision is *SAFE Work – A Way of Life*. The organization's mission is to promote safe and healthy workplaces, promote recovery and return to work, provide compassionate and supportive compensation services for workers and employers, and ensure responsible financial stewardship. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help injured workers return to health and productive work in a timely and safe manner.

The workers compensation system is funded through premiums collected from employers. The WCB does not receive government funding or assistance. Available funds are invested and used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs. To that end, an accident fund reserve attributable to the Class E employers exists. A second reserve, accumulated other comprehensive income, shows the cumulative unrealized gains and losses arising from the investment portfolio.

The target balance for the reserves is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities thereby calculating a reserve target that reduces risk to the organization. The target balance also includes a provision for the potential of new occupational diseases in the future and the expected impact of adopting International Financial Reporting Standards in 2011. The target balance for the reserves was $244.2 million at the end of 2008 ($254.0 million in 2007).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the workers' periods of exposure to the elements that led to the injuries or diseases.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

**Measurement Uncertainty**

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

**Basis of Consolidation**

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

**Cash**

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

**Investments**

Under the provisions of Canadian Institute of Chartered Accountants (CICA) 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available-for-sale, and carried at fair value. Other than the real estate portfolio assets in WCB Realty Limited, a wholly owned subsidiary, gains and losses arising from the change in fair value that have occurred during the year are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income in the Consolidated Statement of Operations and Accident Fund Reserve. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

The WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in investment income in the Consolidated Statement of Operations and Accident Fund Reserve.

**Fair Value of Investments**

Investments are stated at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties.

**Capital Assets**

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives, as follows:

| | |
|---|---|
| Computer equipment | 3 - 5 years |
| Systems development | 3 - 10 years |
| Furniture, fixtures and equipment | 5 years |
| Building renovations and leasehold improvements | 2 - 10 years |
| Building | 40 years |

**Employee Future Benefits**

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual experience of the pension plan's assets and liabilities for a period and the assumed outcome for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. If the cumulative net actuarial gain (loss) exceeds 10 per cent of the greater of plan assets or liabilities, the excess is amortized over the expected average remaining service life of active employees. Past service costs are amortized on a straight line basis over the remaining service life of active employees expected to receive benefits under the plan.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as at January 1, 2000.

**Benefit Liabilities**

The WCB's Chief Actuary prepares a valuation of the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

**Fair Value of Other Financial Assets and Liabilities**

Other financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

**Accumulated Other Comprehensive Income**

The designation of the WCB's investment portfolio as available-for-sale requires the WCB to use accumulated other comprehensive income (AOCI). AOCI is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of generally accepted accounting principles, are recognized in other comprehensive income but excluded from the operating surplus.

**Premium Revenue**

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers.

**General Employers Pool**

Employers registered within Class E are subject to collective liability and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

**Self-Insured Employers**

Self-insured employers – principally government bodies and railways and their subsidiaries – are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred. Current costs are collected as billed while future costs are recorded as a deferred receivable.

The Government of Canada and its agencies are self-insured based on the *Government Employees Compensations Act*. Under this Act, the administration of this program is delegated to the WCB which acts as agent of the Government of Canada for the payment of compensation to federal employees in Manitoba.

**Foreign Currency Translation**

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Unrealized foreign currency exchange gains and losses arising from the investment portfolio are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative foreign currency exchange gain or loss previously recognized in other comprehensive income is designated a realized foreign currency exchange gain or loss and reclassified to investment income.

## 3. LINES OF CREDIT

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured. Borrowings during the year amounted to $37.5 million ($5.3 million in 2007), comprised of $15.0 million on the operating line of credit and $22.5 million on the revolving credit facility ($2.3 million and $3.0 million, respectively, in 2007), and were repaid in full during the year.

## 4. RECEIVABLES AND OTHER

| | 2008 | 2007 |
|---|---|---|
| Premiums – Class E employers | $ 27,134 | $ 26,142 |
| Allowance for doubtful accounts | (1,013) | (1,226) |
| | 26,121 | 24,916 |
| Current assessments – Self-insured employers | 2,600 | 4,058 |
| Sundry | 2,165 | 1,481 |
| Accrued pension benefit asset (Note 10) | 3,789 | 4,735 |
| | $ 34,675 | $ 35,190 |

## 5. INVESTMENT PORTFOLIO

**Fair Value of the Investment Portfolio**

| | 2008 | 2007 |
|---|---|---|
| Equities | | |
| Canadian | $ 150,922 | $ 214,976 |
| Private placements | 29,675 | 33,061 |
| U.S. | 116,634 | 131,857 |
| Europe, Australasia & Far East | 66,213 | 95,019 |
| Emerging markets | 18,964 | 38,863 |
| | 382,408 | 513,776 |
| Cash and short term investments | 20,376 | 47,394 |
| Fixed income | 341,076 | 319,497 |
| Real estate (see table below) | 141,199 | 138,475 |
| Total | $ 885,059 | $ 1,019,142 |

**Real Estate Portfolio**

The real estate portfolio can be further broken down as follows:

| | 2008 | 2007 |
|---|---|---|
| Rental properties and other net assets | $ 186,037 | $ 185,114 |
| Mortgages payable | (44,838) | (46,639) |
| Real estate investments | $ 141,199 | $ 138,475 |

Mortgages payable on rental properties bear interest at rates ranging from 3.5 per cent to 7.36 per cent per annum, with maturity dates ranging from 2009 to 2033. Scheduled principal and interest payments for 2009 on these mortgages total $15.6 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

| | | |
|---|---|---|
| 2009 | $ | 13,590 |
| 2010 | | 972 |
| 2011 | | 8,830 |
| 2012 | | 759 |
| 2013 | | 2,318 |
| | | 26,469 |
| Thereafter | | 18,369 |
| Total | $ | 44,838 |

**Investment Income**

Investment income was derived from the following sources:

| | 2008 | 2007 |
|---|---|---|
| Canadian equities | $ 4,939 | $ 5,530 |
| Foreign equities | 6,386 | 5,211 |
| Cash and short term investments | 1,349 | 1,932 |
| Fixed income | 17,121 | 16,202 |
| Real estate (see table below) | 12,097 | 28,389 |
| Realized gains reclassified from other comprehensive income | 7,530 | 45,309 |
| Loan interest expense | (52) | (9) |
| Management expenses | (4,335) | (4,486) |
| Investment income | $ 45,035 | $ 98,078 |

**Real Estate Income**

The real estate income can be further broken down as follows:

| | 2008 | 2007 |
|---|---|---|
| Rental income, net of expenses | $ 5,275 | $ 6,319 |
| Appraisal gains | 6,560 | 13,757 |
| Realized gains from property sales | 262 | 8,313 |
| | $ 12,097 | $ 28,389 |

**Purchases of Investments, Net of Sales**

Purchases of investments, net of sales can be further broken down as follows:

| | 2008 | 2007 |
|---|---|---|
| Purchases of investments | $ 796,194 | $ 1,321,583 |
| Proceeds on disposal of investments | (769,274) | (1,284,030) |
| Net purchases of investments | $ 26,920 | $ 37,553 |

Purchases and sales activities occur primarily within the fixed income portfolio and short term investments.

**Commitments**

The WCB has contractual agreements to contribute further funding to a maximum of $12.6 million ($18.4 million in 2007) to specific investment projects to be financed from the existing portfolio or from available cash.

## 6. INVESTMENT RISK MANAGEMENT

In accordance with the Statement of Investment Policy and Objectives, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes as well as geographic region and investment style.

The following sections describe the nature and extent of financial risk exposure and the related risk mitigation strategies.

**Market Risk**

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the WCB is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

The following table presents the effect of a material change in the key risk variable – the sector benchmark – for each of the equity mandates in the WCB investment portfolio:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | 5 year annualized | | 5 year annualized | |
| Equities | +/- 1 standard deviation | +/- 2 standard deviation | +/- 1 standard deviation | +/- 2 standard deviation |
| % change in benchmark | 16.7% | 33.4% | 9.0% | 18.0% |
| Canadian | $25,161 | $50,322 | $19,348 | $38,696 |
| % change in benchmark | 10.3% | 20.6% | 10.6% | 21.2% |
| US | $11,467 | $22,934 | $13,977 | $27,954 |
| % change in benchmark | 14.1% | 28.2% | 13.9% | 27.8% |
| Europe, Australasia and Far East | $10,056 | $20,112 | $12,207 | $26,414 |
| % change in benchmark | 21.1% | 42.2% | 16.7% | 33.4% |
| Emerging markets | $4,001 | $8,003 | $6,489 | $12,978 |

**Credit Risk Management**

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. To mitigate the risk of credit default, the minimum quality standard for individual bonds and debentures at time of purchase is BBB, as rated by an established bond rating service. To further mitigate this risk, bonds with a BBB rating are limited to a maximum of 15 per cent of an individual investment manager's portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

Of the fixed income assets in the investment portfolio, 98 per cent (98 per cent in 2007) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

**Securities Lending**

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2008, these loans amounted to $67.1 million ($114.9 million in 2007).

**Foreign Exchange Risk Management**

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2008, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

WCB has exposure to the US dollar, with USD-denominated holdings of $201.6 million CAD ($265.6 million CAD in 2007) or 22.8 per cent of the portfolio (26.1 per cent in 2007).

The table below presents the effects of a material change in the Canadian/US dollar exchange rates:

| | CAD/USD | |
|---|---|---|
| | 2008 | 2007 |
| 10 % appreciation in the Canadian dollar | $(18.3 million) | $(24.1 million) |

**Interest Rate Risk Management**

The WCB is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2008, the duration of the WCB's bond portfolio was 6.3 years (6.8 years in 2007).

The following table shows the effects of a negative 50 and 100 basis point (where one basis point equals 1/100 of one per cent; 50 basis points equals 0.5 per cent) change in interest rates on the bond portfolio:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| +/- basis point change | 50 basis points | 100 basis points | 50 basis points | 100 basis points |
| Bonds | $8,281 | $16,562 | $8,706 | $17,412 |

## 7. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

| | 2008 | 2007 |
|---|---|---|
| Balance at beginning of year | $ 47,598 | $ 43,718 |
| Increase in future cost liability | 18,379 | 5,003 |
| Increase in pension related transactions | 477 | 445 |
| Interest allocation | (763) | (1,568) |
| Net change in deferred assessments | 18,093 | 3,880 |
| Balance at end of year | $ 65,691 | $ 47,598 |

## 8. CAPITAL ASSETS

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer equipment | $ 11,866 | $ 10,268 | $ 11,268 | $ 9,705 |
| Systems development projects | 12,546 | 8,842 | 12,016 | 8,110 |
| Furniture, fixtures and equipment | 2,228 | 1,983 | 2,080 | 1,932 |
| Building renovations and leasehold improvements | 3,852 | 2,983 | 3,625 | 2,795 |
| Building and land | 6,176 | 556 | 6,031 | 485 |
| | $ 36,668 | $ 24,632 | $ 35,020 | $ 23,027 |
| Net book value | | **$ 12,036** | | **$ 11,993** |

As a result of asset dispositions, costs of $309 ($624 in 2007) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $1 ($2 in 2007) was recognized on the sale of these fully depreciated capital assets.

## 9. PAYABLES AND ACCRUED LIABILITIES

| | 2008 | 2007 |
|---|---|---|
| Accounts payable and accrued liabilities | $ 4,837 | $ 3,751 |
| Client annuity program | 13,878 | 12,531 |
| Community Initiatives and Research Program grants | 2,398 | 2,186 |
| Deposits from self-insured employers | 4,995 | 1,591 |
| Employee vacation entitlements | 2,951 | 2,817 |
| Unearned revenue | 182 | 545 |
| Other payables | 1,286 | 1,305 |
| Sick leave plan (Note 10) | 2,965 | 2,497 |
| | $ 33,492 | $ 27,223 |

## 10. EMPLOYEE FUTURE BENEFITS

The WCB has two employee benefit plans which provide pension and other future employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The pension plan, which is funded by employee and employer contributions, is made up of the WCB Retirement Plan and the Supplementary Employee Retirement Plan. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total pensionable earnings.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2008, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan, were $2.8 million ($2.5 million in 2007).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes which was filed with the pension regulators was as at December 31, 2007. The next required valuation for this purpose will be as at December 31, 2010.

Information about the WCB's employee benefit plans for the year is as follows:

| | Pension Plan | | Sick Leave Plan | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Benefits paid by the plan | $ 3,136 | $ 1,499 | $ 189 | $ 44 |
| Employer contributions | 2,631 | 2,417 | 189 | 44 |
| Employee contributions | 2,001 | 1,744 | - | - |
| Employee future benefit expense | 3,577 | 3,059 | 657 | 621 |
| Actual return on plan assets | (16.34%) | (1.3%) | - | - |

Reconciliation of the benefit plans to amounts included in the financial statements:

| | Pension Plan | | Sick Leave Plan | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Fair value of plan assets | $ 72,499 | $ 84,426 | - | - |
| Accrued benefit obligation | 79,068 | 97,587 | $ 3,832 | $ 4,406 |
| Plan deficit for accounting purposes | (6,569) | (13,161) | (3,832) | (4,406) |
| Balance of unamortized losses | 10,358 | 17,896 | 867 | 1,909 |
| Accrued benefit asset (liability) | $ 3,789 | $ 4,735 | $ (2,965) | $ (2,497) |

The accrued benefit asset for the pension plan is included in receivables and other. The accrued benefit liability for the sick leave plan is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities for accounting purposes as at December 31 are as follows:

| | Pension Plan | | Sick Leave Plan | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Discount rate | 7.25% | 5.50% | 7.25% | 5.50% |
| Expected long term rate of return on plan assets | 6.75% | 6.75% | - | - |
| Rate of compensation increase | 3.75% | 3.75% | 2.25% | 2.25% |
| Expected average remaining service life (in years) | 14 | 14 | 14 | 14 |

The asset allocation for the pension plan as at December 31 is:

| | **2008** | 2007 |
|---|---|---|
| Equity | 59% | 61% |
| Fixed income (including short term) | 41% | 39% |

## 11. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

| | 2008 | 2007 |
|---|---|---|
| Discount rate for non-indexed benefits | 6.0% | 6.0% |
| Discount rate for CPI-indexed benefits | 3.0% | 3.0% |
| Discount rate for wage-indexed benefits | 2.0% | 2.0% |
| Discount rate for healthcare benefits | (0.5%) | 2.0% |

An analysis of the components of and changes in benefit liabilities is as follows:

| | 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|---|
| | **Short Term Disability** | **Long Term Disability** | **Survivor Benefits** | **Healthcare Benefits** | **Rehabilitation Services** | **Total** | **Total** |
| Balance at beginning of year | $ 130,016 | $ 375,671 | $ 155,548 | $ 146,534 | $ 23,912 | $ 831,681 | $ 789,032 |
| Add: Claim costs incurred | | | | | | | |
| Current year | 115,326 | 1,843 | 7,770 | 49,492 | 10,367 | 184,798 | 171,971 |
| Prior years | (24,240) | 57,297 | 5,971 | 42,333 | (3,032) | 78,329 | 43,520 |
| | 91,086 | 59,140 | 13,741 | 91,825 | 7,335 | 263,127 | 215,491 |
| Less: Claim payments made | | | | | | | |
| Current year | 30,619 | 397 | 556 | 19,482 | 40 | 51,094 | 48,506 |
| Prior years | 39,618 | 47,220 | 15,710 | 35,002 | 2,675 | 140,225 | 124,336 |
| | 70,237 | 47,617 | 16,266 | 54,484 | 2,715 | 191,319 | 172,842 |
| Balance at end of year | $ 150,865 | $ 387,194 | $ 153,023 | $ 183,875 | $ 28,532 | $ 903,489 | $ 831,681 |

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in the benefit liabilities balance is $39.4 million ($38.0 million in 2007) for the long latent occupational disease liability and $54.4 million ($53.4 million in 2007) for the future cost of administering existing claims.

## 12. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 11 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

| | 2008 | | | | | | 2007 |
|---|---|---|---|---|---|---|---|
| | **Short Term Disability** | **Long Term Disability** | **Survivor Benefits** | **Healthcare Benefits** | **Rehabilitation Services** | **Total** | **Total** |
| Balance at beginning of year | $ 13,713 | $ 44,219 | $ 27,878 | $ 18,501 | $ 2,076 | $ 106,387 | $ 99,683 |
| Add: Claim costs incurred | | | | | | | |
| Current year | 12,563 | 780 | 764 | 7,151 | 1,002 | 22,260 | 19,364 |
| Prior years | (281) | 3,253 | 2,242 | 15,126 | (631) | 19,709 | 10,403 |
| | 12,282 | 4,033 | 3,006 | 22,277 | 371 | 41,969 | 30,267 |
| Less: Claim payments made | | | | | | | |
| Current year | 3,743 | 85 | 102 | 2,137 | 0 | 6,067 | 5,911 |
| Prior years | 5,774 | 4,640 | 3,719 | 5,669 | 130 | 19,932 | 17,652 |
| | 9,517 | 4,725 | 3,821 | 7,806 | 130 | 25,999 | 23,563 |
| Balance at end of year | $ 16,478 | $ 43,527 | $ 27,063 | $ 32,972 | $ 2,317 | $ 122,357 | $ 106,387 |

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.2 million ($4.1 million in 2007) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $11.4 million ($11.1 million in 2007) for self-insured employers' share of the long latent occupational disease liability and $6.8 million ($6.2 million in 2007) for the future cost of administering existing claims.

## 13. PREMIUM REVENUE

| | 2008 | 2007 |
|---|---|---|
| Premiums – Class E employers | $ 203,445 | $ 194,059 |
| Assessments – Self-insured employers | 26,349 | 26,034 |
| Increase in deferred assessments (Note 7) | 18,093 | 3,880 |
| Total premium revenue | $ 247,887 | $ 223,973 |

## 14. OPERATING EXPENSES

| | 2008 | 2007 |
|---|---|---|
| Salaries, employee benefits and training | $ 39,923 | $ 37,263 |
| Information technology service fees | 1,574 | 1,898 |
| Occupancy costs | 1,978 | 1,834 |
| Office supplies, services and projects | 742 | 471 |
| Communications | 1,240 | 1,029 |
| Professional fees | 981 | 895 |
| Donations | 579 | 80 |
| Amortization of capital assets | 1,913 | 2,065 |
| Appeal Commission | 1,150 | 1,228 |
| Community Initiatives and Research Program grants | 1,000 | 1,000 |
| Recoveries from the Government of Canada | (867) | (861) |
| Prevention and other (Note 15) | 9,580 | 9,079 |
| Total operating expenses | $ 59,793 | $ 55,981 |

Of the total operating expenses, $4.3 million ($4.2 million in 2007) was allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

## 15. RELATED PARTY TRANSACTIONS

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2008, the amount charged to operations under this provision was $7.4 million ($6.9 million in 2007).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2008, the amount charged to operations under this provision was $0.9 million ($0.9 million in 2007).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2008, are guaranteed debentures issued by the Province of Manitoba in the amount of $0.8 million ($1.0 million in 2007).

## 16. COMMITMENTS

The WCB has signed operating leases for office premises expiring at various times until December 31, 2012. The minimum lease obligations over the next five years are:

| 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|
| $549 | $369 | $62 | $10 | $0 | $990 |

## 17. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, the WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

## 18. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide non-audit services to the WCB in 2008 ($9 in 2007).

## 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

# Statistics and Measures

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Quality Claim Management

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Investment Results
Administration Cost Per Time Loss Claim
Reserves and Funding

In addition to the statistical information provided in this annual report, a *Manitoba Workplace Injury and Illness Statistics Report* is published annually. This document is a joint publication of the WCB and the Manitoba government's Workplace Safety and Health Division. To obtain a copy of the report, please call 954-4760, toll-free 1-800-362-3340 or visit www.wcb.mb.ca.

# Introduction

The WCB is committed to organizational goals built upon four themes: Prevention, Recovery, Service and Stewardship. Measures have been developed to gauge progress towards these goals.

These statistics and measures enable the WCB to analyze and report on its current performance and measure progress from previous years. Where appropriate, the Manitoba WCB's performance, compared with other Workers Compensation Boards across Canada, is documented.

# Prevention

### Five year targets:

Reduce the time loss injury rate to 3.5 per 100 workers and the number of serious injuries by 50 per cent, in addition to reducing the number of traumatic fatalities.

Reduce the number of Manitobans who believe workplace injuries are inevitable to 30 per cent.

### Injury Rate Trends, Accepted Claims and Fatalities

The WCB is committed to increasing prevention awareness and reducing the time loss injury rate in Manitoba. Through the efforts of the WCB and its partners in prevention over the past several years, the injury rate has been reduced to an estimated 4.1. The WCB has set a target of 3.5 to be achieved over the next five years.

In addition to monitoring the time loss injury rate, the WCB also measures workplace safety attitudes in the province. Surveys indicate that 61 per cent of Manitobans believe that workplace injuries are inevitable. The WCB continues to look at opportunities to ensure Manitobans have safe and healthy workplaces.

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Time loss injury rate | 4.4 | 4.3 | 4.3 | 4.2 | 4.1* |
| Time loss injury claims | 16,634 | 16,697 | 17,142 | 17,265 | 17,109 |
| No time loss injury claims | 18,035 | 18,290 | 18,608 | 17,987 | 17,799 |
| Total injury claims | 34,669 | 34,987 | 35,750 | 35,252 | 34,908 |
| Fatalities | 14 | 26 | 26 | 27 | 24 |

* The 2008 time loss injury rate is an estimate and will be confirmed in mid-2009.

# Recovery

### Five year targets:

Achieve an average of 8 out of 10 on injured worker satisfaction with return to work support.

Achieve an average claim duration of 37 days.

### Return to Work

In 2008, the WCB continued to focus on return to work. The latest survey results indicate the WCB scored 7.2 out of 10 (7.2 out of 10 in 2007) when workers were asked how well the WCB supported them in their return to work and that 84 per cent (87 per cent in 2007) of workers returned to work after sustaining a time loss injury. The organization continues to provide many tools to assist employers, injured workers, healthcare practitioners and WCB staff with their disability management efforts.

### Duration of Claims

Duration of claims measures the number of days that injured workers receive wage loss replacement. This measure increased in 2008. Many factors affect the duration of claims, including demographics and type of injury. Today's typical injured worker is older and almost two-thirds of all time loss injuries are musculoskeletal injuries.

The WCB is working toward the target of an average claim duration of 37 days. The organization continuously makes improvements to case management processes and the case management model, helping to enable injured workers to return to health and productive work as soon as safely possible.

| Average Days Paid for All Wage Loss Claims | 2004 | 2005 | 2006 | 2007 | **2008** |
|---|---|---|---|---|---|
| Claims from All Years | 39.2 | 39.3 | 38.6 | 38.6 | 42.0 |

# Service

### Five year targets:

Pay at least 70 per cent of injured workers within 14 days of injury.

Achieve at least 80 per cent on the WCB service culture index.

Achieve 8 out of 10 in injured worker satisfaction.

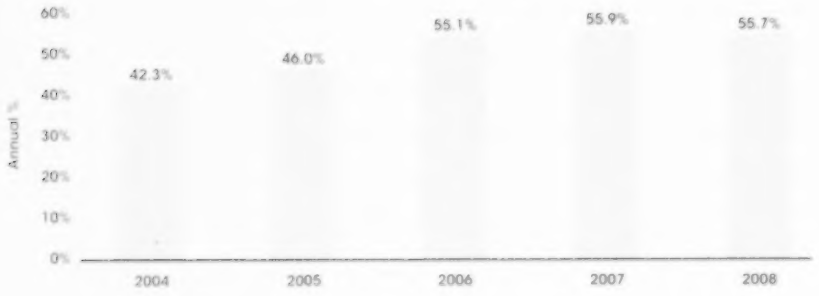
Achieve 8 out of 10 in employer satisfaction.

Achieve at least 95 per cent in quality of claim management.

### Timely Payments to Injured Workers

The WCB is working toward reaching its goal of paying 70 per cent of injured workers within 14 days of injury.

## Percentage of Claims Paid Within 14 Days of Injury Date

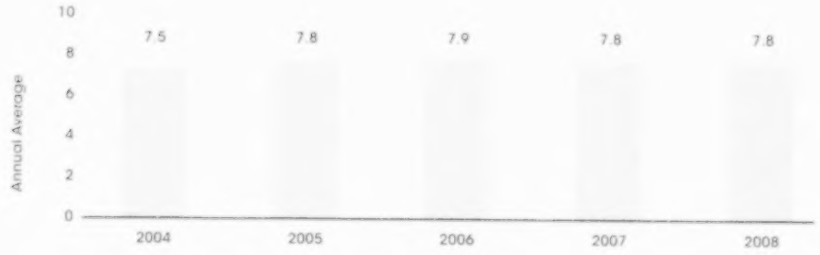


## Service Satisfaction Measures

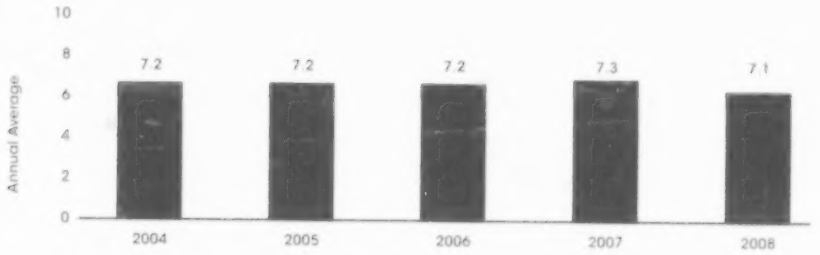
The WCB believes in providing service that is **fast, easy, caring, right** and **clear** and is proud of its strong service culture. The organization scored 72 per cent (74 per cent in 2007) on the WCB service culture index in 2008. The service culture index is based on employee perceptions of the importance of customer service, as measured in the annual WCB employee opinion survey.

The organization strives to meet the evolving needs of all customers with a goal of achieving an 8 out of 10 rating. Results of the worker and employer customer satisfaction surveys are shown in the following charts.

### Injured Worker Satisfaction




### Employer Satisfaction

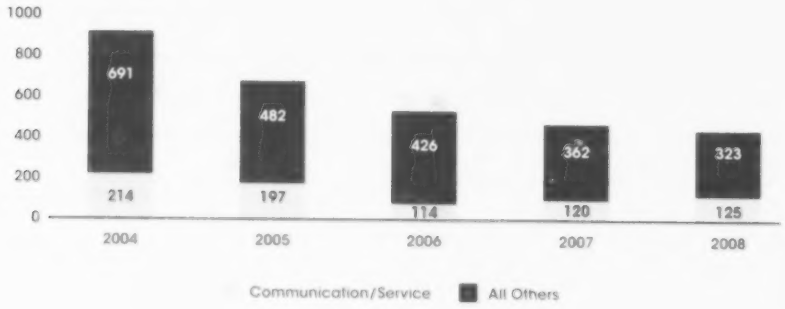


## Quality Claim Management

The WCB aims to adjudicate claims accurately, fairly and transparently. In 2008, the organization met quality expectations on 80 per cent of claims (81 per cent in 2007).

The WCB also looks to referral activity from the Review Office and Fair Practices Office to monitor progress. The organization is steadily improving adjudication decisions. The Fair Practices Office referrals have declined steadily over the past several years and Review Office referrals have been steady at about 1,200 files annually.

### Fair Practices Issues Raised



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# Stewardship

### Five year targets:

Achieve at least 80 per cent on the WCB's efficiency and effectiveness measure.

Achieve the target balance for the WCB's reserves as set out in the funding policy.

Achieve an average of 80 per cent on WCB employee engagement measures.

Increase the number of Manitobans who believe the WCB makes a positive contribution to the province to 70 per cent.

### Results:

- A score of 67 per cent (78 per cent in 2007) was achieved on the WCB's efficiency and effectiveness measure for 2008.
- WCB reserves as at December 31, 2008 are below the reserve target set out in the Funding Policy as a result of the 2008 investment market decline (reserves were in line with target in 2007).
- A score of 71 per cent (71 per cent in 2007) was obtained on the employee engagement index.
- 66 per cent (66 per cent in 2007) of Manitobans surveyed said they believe the WCB is making a positive contribution to the province.

The WCB is committed to managing its resources in a responsible manner, ensuring an affordable and financially strong compensation system is maintained for Manitoba workers and employers. Financial indicators provided in this report to illustrate resource management are as follows:

- employer assessments and average assessment rate
- investment results
- administration cost per time loss claim
- funding ratio.

## Employer Assessments and Average Assessment Rate

Maintaining a competitive average assessment rate (per $100 of payroll) is paramount when it comes to the WCB's fiduciary management. In 2008, Manitoba's average assessment rate continued to be one of the lowest when compared to other Canadian jurisdictions.

In keeping with the WCB's prevention and disability management mandates, employers' assessment rates reflect their claims experience record. Employers experiencing higher claim costs pay higher rates.

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| **1. Assessments*** | | | | | |
| Assessable payrolls (in millions of dollars) | 9,337 | 9,759 | 10,562 | 11,376 | 12,483 |
| Assessment revenue (in millions of dollars) | 160 | 168 | 182 | 195 | 202 |
| **2. Employers** | | | | | |
| Number of registered employers at December 31 | 25,110 | 25,547 | 26,044 | 26,730 | 28,479 |
| New registrants in-year | 2,720 | 2,663 | 2,355 | 2,949 | 3,813 |
| **3. Rates (per $100 of Payroll*)** | | | | | |
| Average - actual | $1.71 | $1.72 | $1.72 | $1.71 | $1.62 |
| Lowest | $0.16 | $0.16 | $0.15 | $0.15 | $0.14 |
| Highest | $30.34 | $31.29 | $41.95 | $42.27 | $30.27 |

*Assessable payrolls, assessment revenue and the corresponding rate data are estimates and will be confirmed in mid-2009. Assessment revenue is a subset of premium revenue from Class E employers (see Note 13 in the *Notes to Consolidated Financial Statements* section).

## Investment Results

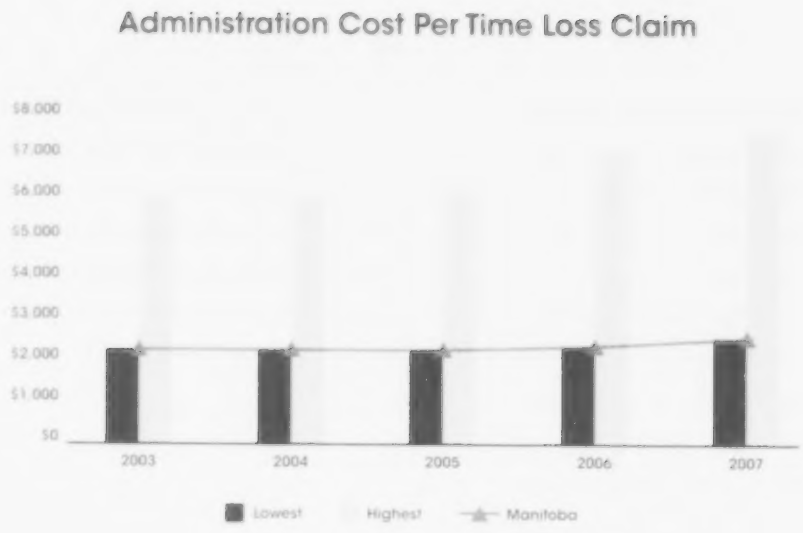
Investment revenue is a significant revenue stream for the WCB. The investment portfolio is carefully managed by adhering to the WCB's Statement of Investment Policies and Objectives and by monitoring portfolio performance against appropriate benchmarks.

The following chart shows the gross investment rate of return and the benchmark rate of return. The gross return in 2008 was -11.6 per cent, which was better than the benchmark rate. The WCB has been successful in achieving actual returns that are better than benchmark in each of the past five years.

## Administration Cost Per Time Loss Claim

The WCB's goal is to provide excellent customer service and quality compensation services in an efficient manner. One of the ways to measure this goal is the administration cost per time loss claim. Administration costs are a subset of operating expenses and are grouped consistently by all Workers Compensation Boards across Canada.

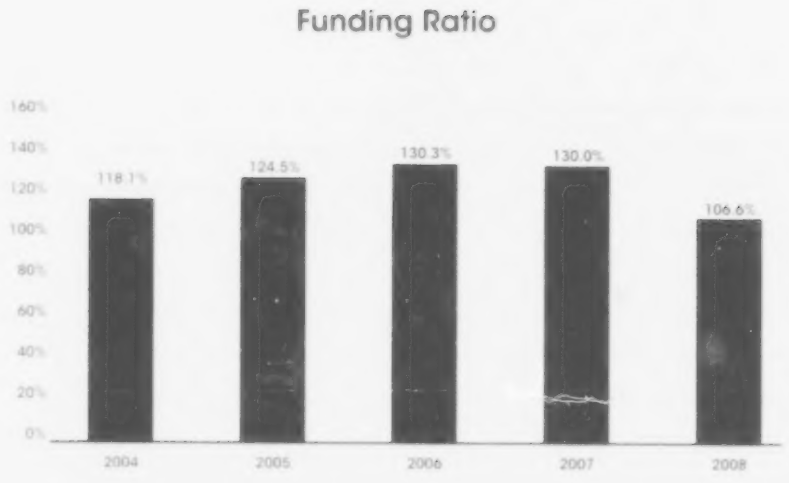
Manitoba has had one of the lowest administration cost per time loss claim across Canada for the five years shown below and expects to maintain this status for 2008. (Data for 2008 is not available until mid-2009.)



## Reserves and Funding

The WCB's reserves protect the organization and its ratepayers from general business risks and catastrophic events such as investment returns or injury claim costs. The reserve target assists the WCB in making future financial decisions as the financial impacts to ratepayers are balanced against the risk of the reserves not meeting the target value. (Funding formulas provide the WCB with the optimum target balance for its reserves). The 2008 investment market decline substantially reduced WCB reserves. As at December 31, 2008, however, the WCB had a positive balance in its reserves although this balance was below the target.

A measure of the financial strength of the WCB is the funding ratio (ratio of total assets to total liabilities). Any amount above 100 per cent indicates that the WCB is fully funded with a positive balance in its reserves. Values below 100 per cent signal that the WCB is in an unfunded liability position. Manitoba has been in a fully funded position since 1996, with a 2008 funding ratio of 106.6 per cent.



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